

Business Briefs

Economic Policy

LaRouche to address U.S. on financial crash

The following release by The LaRouche Campaign was made available to EIR Jan. 27.

"According to ABC-TV, Democratic presidential candidate Lyndon H. LaRouche, Jr. has been assigned time for a half-hour nationwide address on Saturday afternoon, at 2:30 pm Eastern Standard Time, on Feb. 4.

"LaRouche will devote the half hour to the dangerous and worsening situation in the U.S. economy, and will present key facts which explain why "insider newsletters" circulating around New York's Wall Street are warning that a "big crash" may be coming long before the November 1984 election.

"He will also indicate how and why, the national emergency mobilization he proposed to a nationwide CBS-TV audience on Jan. 21 can stop the collapse before it happens. . . ."

Japan

Nakasone sets priority on defense spending

Japanese Prime Minister Nakasone declared that Japan is undergoing an important transition in its history and stated that the country's priorities must be to build up its defense and to take a larger role in international economic affairs. Nakasone was speaking before a convention of the ruling Liberal Democratic Party Jan. 25.

His priorities were reflected in the new budget presented by the government this month: the only increase in any category was a 6.5 percent increase in defense and a 9.7 increase in Overseas Development Aid.

Nakasone also reported that Japanese Foreign Minister Abe, who arrived in Washington Jan. 26, will bring up three things in talks with President Reagan: U.S.-China relations, the crisis on the Korean peninsula, and recent developments in In-

dochina. Abe will also carry a letter to President Reagan from Nakasone asking the U.S. President to work personally with Nakasone on the proposals that the two nations will bring to the meeting of heads of state of the OECD industrialized nations in London in May.

In a very unusual move, Nakasone announced that he will fight to keep the LDP presidency when the party holds its internal elections next year. By Japanese political custom, Nakasone would lose the premiership almost automatically due to the loss of LDP votes in the Dec. 18 elections. The president of the ruling party is assured of becoming the prime minister.

Ibero-America

\$6.5 billion loaned after six-month delay

While 250,000 people, backed by the opposition party governor, demonstrated Jan. 27 in the city of São Paulo for direct elections, Brazilian financial authorities and members of the IMF's mission were toasting the commitment by foreign bankers to loan Brazil \$6.5 billion. This loan, which took over six months to finalize, will not halt the deterioration of Brazil's situation.

The government and most of the right-wing military are opposed to direct elections. The government's party leader in the Chamber of Deputies, Nelson Marchezan, stated recently that the president must be appointed by a closed electoral college because the nation was not ready for direct elections. "Hitler introduced national socialism through elections," he said.

On Jan. 24, five thousand workers laid off from a large garment factory in Rio de Janeiro, who had not been paid since last August, staged a demonstration that disrupted the city. The Brazilian press reported that many did not have the money to buy food.

International Monetary Fund-imposed austerity is causing hideous conditions among the population of Northeast Brazil. According to studies done at the Federal

University of Pernambuco, rats fed on beans, corn meal, potatoes, and very little meat—the diet of the majority of the Northeast population—suffered from hereditary dwarfism. The study predicted that a race of dwarfs could be created in the Northeast.

Energy

Nuclear power construction stopped

Three U.S. nuclear projects were abandoned during the third week of January in the face of impossible cost burdens created by the Nuclear Regulatory Commission.

The latest shutdown was due to a decision by an Ohio utility consortium to immediately end all construction on its Zimmer plant in Moscow, Ohio, which is 97 percent complete.

The Zimmer plant is to be converted to a coal-burning facility. The decision was precipitated by an expected NRC demand that the utilities spend \$1.5 billion and delay completion for another two years in order to satisfy federal regulations.

The utilities have already laid out \$1.6 billion on the plant, which had an original budget of \$240 million and a target date for completion by the mid-1970s. The decision to convert it to coal is an ominous precedent for converting other nuclear plants in the future.

In a replay of the Washington Public Power Supply System (WPPSS) debacle of last year, on Jan. 20 Moody's Investor Service lowered the bond ratings of the involved utilities. This move not only forced the nuclear project to be abandoned, but has endangered the financial viability of the utility companies themselves and threatened the entire U.S. capital bond market. Two thousand workers at the nuclear plant site will immediately lose their jobs.

Commonwealth Edison was denied a license on Jan. 13 to operate its \$3.4 billion twin-reactor Byron plant at Rockford, Illinois because, according to the *New York Times*, "Federal regulators found widespread failure to assure the quality of con-

struction. The utility is one of the most competent in the field. Such stinging criticism of it casts doubt over the average level of management in the entire industry."

And on Jan. 16, the Public Service Company of Indiana abandoned its \$2.5 billion Marble Hill nuclear plant, which will result in a 65 percent reduction in dividends for investors and a 14 percent rate hike for customers to cover the loss.

Central America

Kissinger wants Hong Kong economy

The economic recommendations of the Kissinger Commission Report on Central America can be traced directly to the Carter administration's *Global 2000 Report*, which recommended policies that would cut world population growth by 2 billion persons by the year 2000. The projected goal of the recommended economic restructuring program is that "Central American economies might recover 1980 levels of per capita GNP by 1990... if the world recovery continues."

The Commission report calls for "restructuring" Central America's economies on the model of the British colonies, "Hong Kong, Singapore, and others." Private sector "initiative" must replace even minimal government direction as "engines for growth." United Brands Company—whose ships transport some 20 percent of the cocaine coming into the United States from Central America, according to Drug Enforcement Administration officials' private estimates in the late 1970s—was called a "model employer and model citizen" by the Commission. U.S. government monies are to support these "initiatives" through funding a "privately owned venture capital company," to be called the Central American Development Corporation, which could prove an "innovative way to promote investment in the region even under present difficult conditions" of civil war, they argue.

The report lays out a strategy for ridding the area of people in excess of those needed

to work the plantations. Labor should be employed in the production of "low- and medium-technology goods," the report states, and all aid should be channeled into "labor-intensive infrastructure and housing projects."

Industry

Will U.S. machine tools build Soviet weapons?

James Gray, president of the National Machine Tool Builders Association, told *EIR* the week of Jan. 23 that if the U.S. government refuses to grant relief to the industry on the basis of national security requirements, U.S. machine-tool manufacturers will begin selling to their one remaining viable market: the Soviet Union and the East bloc.

American tool makers are sending a top-level delegation to the Moscow machine exhibition in late March, Gray stated. "We'll spend a day at the show, then four days with their top people. They've cleared the best rooms at the International Hotel for us."

After the U.S. delegation visits the Soviet Union, the Russians will send their people to the United States "with shopping lists in their hands," Gray said.

The tool builders have petitioned the federal government for relief against a flood of imports. In 1983, 40 percent of all machine tools sold in the United States were imports. Over 50 percent of the most sophisticated machine tools are numerically controlled, and five axis tools are imported.

"Conditions are so bad that the conglomerates are selling their subsidiaries and the great names in machine tools like Warner & Swazey have closed down their American production and are sourcing from Japan, Italy, and other countries," Gray said. "If the government does not give us relief, the American machine-tool industry will be out of business in one year."

American companies have been going "offshore" because they can sell to the East bloc from there. Due to the collapse of the Western economies since 1979, the East bloc now constitutes half the total world market in machine tools.

Briefly

● **MCGEORGE BUNDY** was in Washington, D.C. the week of Jan. 23 to lobby the Reagan administration to end its boycott of the International Institute of Applied Systems Analysis (IIASA), which he co-founded with Dzhermen Gvishiani, the son-in-law of the late Premier Aleksei Kosygin. The administration decided to boycott IIASA, which has headquarters outside Vienna, when it determined that the Soviets were using the institute to as an intelligence outpost. The U.S. government had been giving IIASA \$2 million per year.

● **THE WALL STREET Journal** featured both an op-ed by Friedmanite "analyst" Claudia Rosett and an editorial in its Jan. 27 issue urging the benefits of illegal economies—the drug-exporting sectors of Ibero-America. Rosett wrote: "In some areas, the informal economy even seems to be more efficient than the legal sector. The market test of this efficiency is the awesome amount of underground business carried on profitably. . . . In an ironic twist, honesty and integrity are especially important factors in underground business success. . . . The people of Peru have already chosen a market economy, without foreign interference and despite the hindrance of their own government."

● **GEORGE SHULTZ** "is definitely demanding stringent austerity for Israel," a Tel Aviv source told *EIR* Jan. 24. The *Jerusalem Post* of Jan. 22 reported that Shultz has put together an inter-agency task force from the U.S. State Department, Treasury, the Office of the Management and the Budget, and the Agency for International Development (AID), to work together with private American and Israeli economic experts to "review Israel's economic problems" and to "consider various remedial steps." The U.S. experts included two former chairmen of the President's Council of Economic Advisers, Paul McCracken and Herbert Stein, both advocates of IMF austerity policies.